

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name* City of Rockford	County* KENT	Type* CITY	MuniCode* 41-2-070
Opinion Date-Use Calendar* Aug 6, 2008	Audit Submitted-Use Calendar* Aug 22, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 3,143,137.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 2,547,825.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 1,486,349.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 1,091,707.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Douglas	Last Name* Vredevel	Ten Digit License Number* 1101021289		
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CPA Firm Name* Vredevel Haefner LLC	Unit's Street Address* 7 S. Monroe	Unit's City* Rockford	Unit's Zip* 49341	



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



Vredeveld Haefner LLC

CITY OF ROCKFORD

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Street Fund	17
Statement of Net Assets - Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds	19
Statement of Cash Flows - Enterprise Funds	20
Statement of Net Assets - Agency Funds	21
Notes to the Financial Statements	23-36
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	38-39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	40-41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	43
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Stabilization Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Library Fund	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Cemetery Fund	46
Fiduciary Funds	
Combining Balance Sheet - Agency Funds	47
Downtown Development Authority	
Balance Sheet/Statement of Net Assets	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances/Activities	49
Continuing Disclosure Filing	51-60



Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

August 6, 2008

Honorable Mayor and Members of the City Council
City of Rockford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockford, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rockford, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Rockford, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general and major streets funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Vredeveld Haefner LLC

Management's Discussion and Analysis

As management of the City of Rockford, we offer readers of the City of Rockford's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Expanded the downtown security cameras and a wireless hotspot program to include additional areas downtown.
- Completed the second of three "gateway" projects to welcome residents to the City of Rockford.
- Received a \$65,000 federal grant for the fire department to completely replace the department's turn-out gear and other miscellaneous equipment.
- Received a Department of Natural Resources grant totaling \$222,700 which was used to complete phase two of the Rogue River Nature Trail which travels north along the west bank of the Rogue River.
- Completed the remodel of the City Hall administrative and dispatch offices.
- Continued our equipment replacement program which included three new police cruisers, two new lawn mowers, a new bucket truck, a new utilities truck and the Police Department's first Segway.
- Continued the City's street maintenance program by investing over \$500,000 in major and local streets.
- Upgraded the City Hall grounds with new signage and flags.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rockford's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Rockford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction

and maintenance, culture and recreation, capital outlay, and debt service activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include the City of Rockford (the *primary government*) as well as the legally separate Downtown Development Authority and Economic Development Corporation component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, and capital improvements funds, each of which is considered a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, each of which are considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockford, assets exceeded liabilities by \$13,451,858 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operations while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$2,780,255	\$3,052,888	\$2,500,980	\$2,766,244	\$ 5,281,235	\$ 5,819,132
Capital assets	5,531,837	4,215,515	7,507,686	7,410,185	13,039,523	11,625,700
Total assets	8,312,092	7,268,403	10,008,666	10,176,429	18,320,758	17,444,832
Long-term liabilities outstanding	1,251,905	1,385,269	3,307,092	3,722,470	4,558,997	5,107,739
Other liabilities	122,789	194,996	187,114	224,395	309,903	419,391
Total liabilities	1,374,694	1,580,265	3,494,206	3,946,865	4,868,900	5,527,130
Net assets						
Invested in capital assets, net of related debt	4,440,130	2,984,862	4,280,265	3,764,989	8,720,395	6,749,851
Restricted	1,068,224	1,396,936	-	-	1,068,224	1,396,936
Unrestricted	1,429,044	1,306,340	2,234,195	2,464,575	3,663,239	3,770,915
Total net assets	\$6,937,398	\$5,688,138	\$6,514,460	\$6,229,564	\$13,451,858	\$11,917,702

Net assets of the City increased by \$1,534,156 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$284,896 was primarily the result of increased revenues from operations. The governmental activities increase in net assets of \$1,249,260 is primarily due to a combination of stable property tax revenue, receipt of grants and significant additions to capital assets.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue						
Program revenue						
Charges for services	\$ 166,491	\$ 145,432	\$2,794,730	\$2,656,988	\$2,961,221	\$ 2,802,420
Operating grants and contributions	349,363	343,633	-	-	349,363	343,633
Capital grants and contributions	799,573	333,705	-	-	799,573	333,705
General revenue						
Property taxes	2,319,905	2,243,074	-	-	2,319,905	2,243,074
Other governmental sources	394,256	426,363	-	-	394,256	426,363
Other	377,439	402,710	133,331	168,079	510,770	570,789
Total revenue	4,407,027	3,894,917	2,928,061	2,825,067	7,335,088	6,719,984
Expenses						
Legislative						
General government	578,088	540,665	-	-	578,088	540,665
Public safety	1,571,537	1,491,663	-	-	1,571,537	1,491,663
Public works	731,987	738,982	-	-	731,987	738,982
Culture and recreation	224,949	182,930	-	-	224,949	182,930
Interest	51,176	58,775	-	-	51,176	58,775
Sewer	-	-	1,724,882	1,609,534	1,724,882	1,609,534
Water	-	-	918,283	937,890	918,283	937,890
Total expenses	3,157,737	3,013,015	2,643,165	2,547,424	5,800,902	5,560,439
Increase in net assets	1,249,260	881,902	284,896	277,643	1,534,156	1,159,545
Net assets-beginning of year	5,688,138	4,806,236	6,229,564	5,951,921	11,917,702	10,758,157
Net assets end of year	\$6,937,398	\$5,688,138	\$6,514,460	\$6,229,564	\$13,451,858	\$11,917,702

Governmental Activities. During the year the City invested \$1,571,537 or 49.77% of governmental activities expenses in public safety. Public Works, which includes major and local streets was \$731,987 or 23.06% of governmental activities expenses while general government, culture and recreation and interest on long-term debt made up the remaining 27.17% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net assets by \$284,896, accounting for 18.76% of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$277,643.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,674,304, a decrease of \$203,112 in comparison with the prior year. Of the \$2,674,304, \$1,486,349 is reported in the general fund as unreserved and undesignated. The remaining amount of fund balance is reported in various funds as unreserved or reserved for certain uses such as street construction and maintenance, library operations, and non-expendable permanent fund corpus.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,486,349 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 48.9% of total general fund expenditures and transfers.

The fund balance of the City's general fund increased by \$125,600 during the current fiscal year.

The major streets fund is used to account for the construction and maintenance of major streets throughout the City. The unreserved fund balance at the end of the year amounted to \$88,167, a decrease of \$181,911 from the previous year. The decrease is primarily the result of a heavy winter snowfall and completion of some significant street projects. The construction expenditures exceed the budgeted amount due to the recording of revenue and expenditures associated with the state and federal portion of a significant project.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$1,025,619 and \$1,208,576, respectively. The sewer fund had an increase in net assets for the year of \$75,215 and the water fund had an increase of \$209,681. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$13,039,523 (net of accumulated depreciation).

The City's Capital Assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$1,184,094	\$ 96,621	\$ 1,280,715
Buildings, Equipment and Infrastructure	4,347,743	7,411,065	11,758,808
Total	\$5,531,837	\$7,507,686	\$13,039,523

Additional information on the City of Rockford capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,571,576 summarized as follows:

Debt			
	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 160,198	\$ 79,671	\$ 239,869
Notes payable	536,707	-	536,707
Bonds payable	555,000	3,240,000	3,795,000
Total	\$1,291,905	\$3,319,671	\$4,571,576

The City's issued a lease payable of \$90,794 and made debt payments totaling \$649,740 during the year. Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

Budgetary Highlights

- The general fund had no significant budget changes. Expenses were held in check and revenues exceeded projections resulting in a General Fund fund balance increase of \$125,600.
- Major and Local Street funds had budget amendments made to the winter maintenance activities to account for the heavy snowfall this past winter.
- The remaining funds had minor budget amendments to account for additional interest earnings at year-end which are transferred into the general fund.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- The City of Rockford maintained its millage rate at 10.9%, which is one of the lowest rates among local Cities which do not levy an income tax.
- A 3% salary increase was included in all departments, including unionized staff.
- Property values in the City showed a small decline in most areas due to the recent housing slump in the State of Michigan.
- Pension and health insurance costs were projected to increase by 8%.
- The employee contribution to health care costs remains at 5% this fiscal year.
- The City continues to carefully monitor programs and services to provide the highest level of service while keeping costs in check.
- Projects budgeted for next fiscal year include reconstructing the lobby at City Hall, remodeling the police squad room, street repairs including Lewis, Byrne Industrial Drive, Summit, and Bridge Streets, and repairs to the Dam.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 7 South Monroe St., Rockford, Michigan, 49341.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKFORD
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Economic Development Corporation
Assets					
Cash and pooled investments	\$ 2,338,681	\$ 1,846,905	\$ 4,185,586	\$ 15,373	\$ 4,602
Accounts receivable	69,722	418,384	488,106	745	-
Special assessments receivable	-	56,512	56,512	-	-
Accrued interest receivable	94,729	79,179	173,908	627	188
Due from other governments	240,934	-	240,934	-	-
Inventory	20,281	-	20,281	-	-
Prepaid items	15,908	-	15,908	-	-
Restricted cash and pooled investments	-	100,000	100,000	-	-
Capital assets					
Land	1,184,094	96,621	1,280,715	-	-
Depreciable capital assets, net	4,347,743	7,411,065	11,758,808	1,295,140	-
Total assets	8,312,092	10,008,666	18,320,758	1,311,885	4,790
Liabilities					
Accounts payable	66,553	146,873	213,426	3,856	-
Accrued liabilities	56,236	40,241	96,477	9,144	-
Noncurrent liabilities					
Compensated absences	160,198	79,671	239,869	-	-
Due within one year	232,968	430,000	662,968	75,000	-
Due in more than one year	858,739	2,810,000	3,668,739	350,000	-
Unamortized bond discount	-	(12,579)	(12,579)	-	-
Total liabilities	1,374,694	3,494,206	4,868,900	438,000	-
Net assets					
Invested in capital assets, net of related debt	4,440,130	4,280,265	8,720,395	-	-
Restricted for					
Library	56,747	-	56,747	-	-
Capital improvements	410,028	-	410,028	-	-
Major streets	88,167	-	88,167	-	-
Local streets	45,209	-	45,209	-	-
Cemetery	308,212	-	308,212	-	-
Permanent trusts					
Library endowment - expendable portion	6,301	-	6,301	-	-
Library endowment - corpus	153,560	-	153,560	-	-
Unrestricted	1,429,044	2,234,195	3,663,239	873,885	4,790
Total net assets	\$ 6,937,398	\$ 6,514,460	\$ 13,451,858	\$ 873,885	\$ 4,790

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities				
General government	\$ 578,088	\$ 99,967	\$ -	\$ (478,121)
Public safety	1,571,537	11,511	68,572	(1,201,739)
Public works	731,987	-	268,985	46,856
Culture and recreation	224,949	55,013	11,806	(158,130)
Interest on long-term debt	51,176	-	-	(51,176)
Total governmental activities	3,157,737	166,491	349,363	(1,842,310)
Business-type activities				
Sewer	1,724,882	1,751,209	-	26,327
Water	918,283	1,043,521	-	125,238
Total business-type activities	2,643,165	2,794,730	-	151,565
Total primary government	\$ 5,800,902	\$ 2,961,221	\$ 349,363	\$ (1,690,745)
Component units				
Downtown Development Authority	\$ 89,210	\$ -	\$ -	\$ (89,210)
Economic Development Corporation	1,000	-	-	(1,000)
Total component units	\$ 90,210	\$ -	\$ -	\$ (90,210)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Primary Government			Component Units	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>
Changes in net assets					
Net (expense) revenue	\$ (1,842,310)	\$ 151,565	\$ (1,690,745)	\$ (89,210)	\$ (1,000)
General revenues					
Property taxes					
General operating	2,319,905	-	2,319,905	197,629	-
State shared revenues - unrestricted	394,256	-	394,256	-	-
Interest and rentals	322,659	131,182	453,841	3,939	240
Other revenue	54,750	2,149	56,899	-	-
Total general revenues	<u>3,091,570</u>	<u>133,331</u>	<u>3,224,901</u>	<u>201,568</u>	<u>240</u>
Change in net assets	1,249,260	284,896	1,534,156	112,358	(760)
Net assets, beginning of year	<u>5,688,138</u>	<u>6,229,564</u>	<u>11,917,702</u>	<u>761,527</u>	<u>5,550</u>
Net assets, end of year	<u>\$ 6,937,398</u>	<u>\$ 6,514,460</u>	<u>\$ 13,451,858</u>	<u>\$ 873,885</u>	<u>\$ 4,790</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	<u>General</u>	<u>Capital Improvements</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,325,518	\$ 251,370	\$ 67,934	\$ 693,859	\$ 2,338,681
Accounts receivable	69,722	-	-	-	69,722
Accrued interest receivable	52,494	10,244	2,769	29,222	94,729
Due from other governments	69,787	127,647	30,500	13,000	240,934
Prepaid items	15,908	-	-	-	15,908
Inventory	20,281	-	-	-	20,281
Total assets	<u>\$ 1,553,710</u>	<u>\$ 389,261</u>	<u>\$ 101,203</u>	<u>\$ 736,081</u>	<u>\$ 2,780,255</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 29,668	\$ 12,292	\$ 12,301	\$ 12,292	\$ 66,553
Accrued liabilities	37,693	-	735	970	39,398
Total liabilities	<u>67,361</u>	<u>12,292</u>	<u>13,036</u>	<u>13,262</u>	<u>105,951</u>
Fund balances					
Reserved for					
Nonmajor permanent fund corpus	-	-	-	153,560	153,560
Unreserved					
Undesignated	1,486,349	376,969	88,167	-	1,951,485
Undesignated reported in nonmajor					
Special revenue funds	-	-	-	529,899	529,899
Capital Projects fund	-	-	-	33,059	33,059
Permanent fund	-	-	-	6,301	6,301
Total fund balances	<u>1,486,349</u>	<u>376,969</u>	<u>88,167</u>	<u>722,819</u>	<u>2,674,304</u>
Total liabilities and fund balances	<u>\$ 1,553,710</u>	<u>\$ 389,261</u>	<u>\$ 101,203</u>	<u>\$ 736,081</u>	<u>\$ 2,780,255</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund balances - total governmental funds	\$ 2,674,304
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Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	1,184,094
Add - capital assets (net of accumulated depreciation)	4,347,743

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(160,198)
Deduct - bonds payable	(1,091,707)
Deduct - accrued interest on bonds payable	<u>(16,838)</u>

Net assets of governmental activities	<u>\$ 6,937,398</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Improvements</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,319,905	\$ -	\$ -	\$ -	\$ 2,319,905
Intergovernmental revenues					
Federal	-	-	415,440	-	415,440
State	399,805	-	282,674	80,729	763,208
Local	45,000	307,738	-	6,416	359,154
Licenses and permits	58,399	-	-	-	58,399
Charges for services	87,220	-	-	-	87,220
Fines	4,900	-	-	-	4,900
Interest and rentals	193,124	90,469	2,980	36,086	322,659
Miscellaneous	34,784	18,049	-	23,279	76,112
Total revenues	<u>3,143,137</u>	<u>416,256</u>	<u>701,094</u>	<u>146,510</u>	<u>4,406,997</u>
Expenditures					
Current					
General government	541,011	-	-	-	541,011
Public safety	1,456,768	-	-	-	1,456,768
Public works	435,317	-	740,521	169,720	1,345,558
Culture and recreation	141,729	-	-	44,443	186,172
Debt service					
Principal	-	164,740	-	65,000	229,740
Interest	-	23,894	-	29,968	53,862
Capital Outlay	-	887,792	-	-	887,792
Total expenditures	<u>2,574,825</u>	<u>1,076,426</u>	<u>740,521</u>	<u>309,131</u>	<u>4,700,903</u>
Revenues over (under) expenditures	<u>568,312</u>	<u>(660,170)</u>	<u>(39,427)</u>	<u>(162,621)</u>	<u>(293,906)</u>
Other financing sources (uses)					
Issuance of lease payable	-	90,794	-	-	90,794
Transfers in	23,288	446,000	-	209,968	679,256
Transfers out	(466,000)	-	(142,484)	(70,772)	(679,256)
Total other financing sources (uses)	<u>(442,712)</u>	<u>536,794</u>	<u>(142,484)</u>	<u>139,196</u>	<u>90,794</u>
Net changes in fund balances	125,600	(123,376)	(181,911)	(23,425)	(203,112)
Fund balances, beginning of year	<u>1,360,749</u>	<u>500,345</u>	<u>270,078</u>	<u>746,244</u>	<u>2,877,416</u>
Fund balances, end of year	<u>\$ 1,486,349</u>	<u>\$ 376,969</u>	<u>\$ 88,167</u>	<u>\$ 722,819</u>	<u>\$ 2,674,304</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balances - total governmental funds	\$ (203,112)
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Amounts reported for *governmental activities* in the statement of activities
are different because

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets are allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	1,544,420
Deduct - depreciation expense	(228,098)

Bond or debt proceeds provide current financial resources to governmental funds in the period
issued, but issuing debt increases long-term liabilities in the statement of net assets.
Repayment of bond or debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Deduct - issuance of lease payable	(90,794)
Add - principal payments on debt	229,740

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(5,582)
Add - decrease in accrued interest	<u>2,686</u>

Change in net assets of governmental activities	<u>\$ 1,249,260</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 2,291,500	\$ 2,291,500	\$ 2,319,905	\$ 28,405
Intergovernmental revenues				
State	440,300	440,300	399,805	(40,495)
Local	50,000	50,000	45,000	(5,000)
Licenses and permits	55,000	55,000	58,399	3,399
Charges for services	66,000	66,000	87,220	21,220
Fines	3,250	3,250	4,900	1,650
Interest and rentals	135,600	135,600	193,124	57,524
Miscellaneous	19,000	19,000	34,784	15,784
Total revenues	<u>3,060,650</u>	<u>3,060,650</u>	<u>3,143,137</u>	<u>82,487</u>
Expenditures				
Current				
General government	545,220	576,720	541,011	35,709
Public safety	1,482,300	1,481,300	1,456,768	24,532
Public works	441,950	441,950	435,317	6,633
Culture and recreation	139,180	142,180	141,729	451
Total expenditures	<u>2,608,650</u>	<u>2,642,150</u>	<u>2,574,825</u>	<u>67,325</u>
Revenues over (under) expenditures	452,000	418,500	568,312	15,162
Other financing sources (uses)				
Transfers in	14,000	14,000	23,288	9,288
Transfers out	(466,000)	(466,000)	(466,000)	-
Total other financing sources (uses)	<u>(452,000)</u>	<u>(452,000)</u>	<u>(442,712)</u>	<u>9,288</u>
Net changes in fund balance	-	(33,500)	125,600	159,100
Fund balance, beginning of year	<u>1,360,749</u>	<u>1,360,749</u>	<u>1,360,749</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,360,749</u>	<u>\$ 1,327,249</u>	<u>\$ 1,486,349</u>	<u>\$ 159,100</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

MAJOR STREETS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ 415,440	\$ 415,440
State	180,000	180,000	282,674	102,674
Interest and rentals	7,500	7,500	2,980	(4,520)
Total revenues	<u>187,500</u>	<u>187,500</u>	<u>701,094</u>	<u>513,594</u>
Expenditures				
Public works				
Construction	66,000	116,000	624,081	(508,081)
Routine Maintenance	56,370	56,370	67,834	(11,464)
Traffic Control	9,560	10,560	9,523	1,037
Winter Maintenance	18,135	29,135	28,017	1,118
Administration	12,105	12,105	11,066	1,039
Total expenditures	<u>162,170</u>	<u>224,170</u>	<u>740,521</u>	<u>(516,351)</u>
Revenues over (under) expenditures	25,330	(36,670)	(39,427)	(2,757)
Other financing sources (uses)				
Transfers out	(142,750)	(142,750)	(142,484)	266
Net changes in fund balance	(117,420)	(179,420)	(181,911)	(2,491)
Fund balance, beginning of year	<u>270,078</u>	<u>270,078</u>	<u>270,078</u>	<u>-</u>
Fund balance, end of year	<u>\$ 152,658</u>	<u>\$ 90,658</u>	<u>\$ 88,167</u>	<u>\$ (2,491)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

ENTERPRISE FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

Assets	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current assets			
Cash and pooled investments	\$ 916,169	\$ 930,736	\$ 1,846,905
Accounts receivable	241,999	176,385	418,384
Special assessments receivable	-	56,512	56,512
Accrued interest receivable	37,338	41,841	79,179
Total current assets	1,195,506	1,205,474	2,400,980
Restricted cash and pooled investments	-	100,000	100,000
Capital assets			
Land	2,500	94,121	96,621
Capital assets	4,373,173	6,857,757	11,230,930
Less accumulated depreciation	(2,228,134)	(1,591,731)	(3,819,865)
Net capital assets	2,147,539	5,360,147	7,507,686
Total assets	3,343,045	6,665,621	10,008,666
Liabilities			
Current liabilities			
Accounts payable	128,856	18,017	146,873
Accrued liabilities	10,065	30,176	40,241
Current portion of long-term debt	155,000	275,000	430,000
Total current liabilities	293,921	323,193	617,114
Long-term liabilities			
Compensated absences	30,966	48,705	79,671
Bonds payable, net of current portion	700,000	2,110,000	2,810,000
Unamortized bond discount	(12,579)	-	(12,579)
Total long-term liabilities	718,387	2,158,705	2,877,092
Total liabilities	1,012,308	2,481,898	3,494,206
Net assets			
Investment in capital assets net of related debt	1,305,118	2,975,147	4,280,265
Unrestricted	1,025,619	1,208,576	2,234,195
Total net assets	\$ 2,330,737	\$ 4,183,723	\$ 6,514,460

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

ENTERPRISE FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 1,751,209	\$ 1,043,521	\$ 2,794,730
Other	<u>608</u>	<u>1,541</u>	<u>2,149</u>
Total operating revenue	<u>1,751,817</u>	<u>1,045,062</u>	<u>2,796,879</u>
Operating expense			
Personnel services	278,817	406,638	685,455
Professional and contractual services	1,228,510	82,045	1,310,555
Materials and supplies	14,991	47,955	62,946
Utilities	19,192	75,271	94,463
Repair and maintenance	2,631	61,731	64,362
Insurance and bonds	6,493	9,583	16,076
Equipment rentals	11,275	11,275	22,550
Depreciation	125,695	125,975	251,670
Miscellaneous	<u>4,129</u>	<u>8,865</u>	<u>12,994</u>
Total operating expense	<u>1,691,733</u>	<u>829,338</u>	<u>2,521,071</u>
Operating income (loss)	<u>60,084</u>	<u>215,724</u>	<u>275,808</u>
Non-operating revenue (expense)			
Rental income	-	23,545	23,545
Interest income	48,280	59,357	107,637
Interest expense	<u>(33,149)</u>	<u>(88,945)</u>	<u>(122,094)</u>
Total non-operating revenue (expense)	<u>15,131</u>	<u>(6,043)</u>	<u>9,088</u>
Changes in net assets	75,215	209,681	284,896
Net assets, beginning of year	<u>2,255,522</u>	<u>3,974,042</u>	<u>6,229,564</u>
Net assets, end of year	<u>\$ 2,330,737</u>	<u>\$ 4,183,723</u>	<u>\$ 6,514,460</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

ENTERPRISE FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 1,746,530	\$ 1,080,653	\$ 2,827,183
Payments to employees	(284,985)	(407,095)	(692,080)
Payments to suppliers	(1,292,627)	(319,578)	(1,612,205)
Net cash provided by (used in) operating activities	<u>168,918</u>	<u>353,980</u>	<u>522,898</u>
Cash flows from non-capital financing activities			
Rental income	<u>-</u>	<u>23,545</u>	<u>23,545</u>
Cash flows from capital and related financing activities			
Interest expense	(31,949)	(87,920)	(119,869)
Cash received on special assessments	-	30,817	30,817
Principal on bonds	(150,000)	(270,000)	(420,000)
Acquisitions of capital assets	(169,909)	(179,262)	(349,171)
Net cash provided by (used in) capital and related financing activities	<u>(351,858)</u>	<u>(506,365)</u>	<u>(858,223)</u>
Cash flows from investing activities			
Interest income	<u>38,919</u>	<u>46,934</u>	<u>85,853</u>
Net cash provided by (used in) investing activities	<u>38,919</u>	<u>46,934</u>	<u>85,853</u>
Net increase (decrease) in cash and pooled investments	(144,021)	(81,906)	(225,927)
Cash and pooled investments, beginning of year	<u>1,060,190</u>	<u>1,112,642</u>	<u>2,172,832</u>
Cash and pooled investments, end of year	<u>\$ 916,169</u>	<u>\$ 1,030,736</u>	<u>\$ 1,946,905</u>
Cash flows from operating activities			
Operating income (loss)	\$ 60,084	\$ 215,724	\$ 275,808
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	125,695	125,975	251,670
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(5,287)	35,591	30,304
Accounts payable	(5,406)	(22,853)	(28,259)
Accrued liabilities	(2,933)	(6,089)	(9,022)
Compensated absences	(3,235)	5,632	2,397
Net cash provided by (used in) operating activities	<u>\$ 168,918</u>	<u>\$ 353,980</u>	<u>\$ 522,898</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
AGENCY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 125,058
Interest receivable	<u>5,809</u>
Total assets	<u>\$ 130,867</u>
Liabilities	
Payroll taxes and withholdings	\$ 37,511
Due to other governmental units	20,328
Due to other entities	<u>73,028</u>
Total liabilities	<u>\$ 130,867</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockford, Michigan (the "City") was incorporated June 17, 1935, under the provisions of Act 279, P.A.1909, as amended (the Home Rule City Act). The City operates under a Council-Manager form of government and provides police and fire, highways and streets, culture and recreation, public improvements, planning and zoning, and general and administrative services as authorized by its charter.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the financial statements provides detailed financial information on the discretely presented component units.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the Downtown Development Authority and the Economic Development Corporation. These entity's are reported in separate columns and rows to emphasize that they are legally separate from the City. The members of the governing boards of these organizations are appointed by the City Council. The budgets of these organizations must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Joint Venture

The City of Rockford is a participant in the North Kent Sewer Authority (Authority) (a joint venture as defined by GASB Statement No. 14). The purpose of the Authority is to develop and maintain sanitary sewer infrastructure. The City utilizes the Authority for its sewage transportation and disposal. The City pays for these services based on its share of sewage flow through the system to cover debt service, maintenance and administration of the Authority. The Authority has outstanding insured municipal bonds of \$60,005,000 as of June 30, 2008. The City has pledged its limited faith and credit for the bonds based on City sewage flow through the system. Financial statements of the Authority can be obtained by contacting the North Kent Sewer Authority, PO Box 561, Rockford, MI 49341.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the accumulation of resources for, and purchase of, capital assets.

The *Major Streets Fund* accounts for proceeds of specific revenue sources that are legally restricted to expenditures on major streets within the City.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs. The City maintains one Debt Service Fund.

The *Library Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of capital projects related to the library.

The *Permanent Fund* is used to record account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Agency Funds* are used to account for assets held in an agency capacity on behalf of outside parties, including other governments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the year ended June 30, 2008. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted and amended by the City Council.

Cash and Pooled Investments

The City's cash and pooled investments are considered to be cash and cash equivalents because the balances are readily available similar to demand deposits. All investments are recorded at fair value.

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Inventory

Inventory is valued at the lower of cost or market, on the first in/first out basis.

Due to and Due from Other Funds

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	25
Buildings	25-30
Furniture and Equipment	5-20
Vehicles	3-10
Public Domain Infrastructure	50
System Infrastructure	30

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Compensated Absences

Under contracts and employment policy, employees are granted sick leave in varying amounts. At the end of each fiscal year, employees are paid for 50% of unused sick leave in excess of the amount allowed to be accumulated which is 72 days with the exception of police who have a limit of 720 hours. Upon retirement or death, 50% of accumulated sick leave is paid. Vacation time must be utilized by each employee's anniversary date and is not allowed to be carried over. Amounts accumulated in governmental funds are recorded on the statement of net assets and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds. Current portions of unpaid sick leave are considered immaterial.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 10. Real property taxes not collected as of March 1 are turned over to Kent County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level. During the year ended June 30, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Special Revenue Funds			
Major Street Fund			
Construction	\$116,000	\$624,081	\$(508,081)
Routine maintenance	56,370	67,834	(11,464)
Local Street Fund			
Routine maintenance	58,475	66,705	(8,230)
Budget Stabilization Fund			
Transfers out	4,000	6,504	(2,504)
Library Fund			
Culture and recreation	36,055	37,710	(1,655)
Cemetery Fund			
Transfers out	11,000	16,784	(5,784)

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

Governmental activities	\$2,338,681
Business-type activities	1,846,905
Component units	19,975
Fiduciary funds	125,058
	<u>\$4,330,619</u>

Cash and pooled investments consist of the following at June 30, 2008:

Deposits	\$3,507,790
Investments	822,829
	<u>\$4,330,619</u>

These deposits are in five financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$4,314,749 of the City's bank balance of \$4,753,670 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Federal Home Loan Bank bond	11/08	\$504,530	Aaa/AAA	Moody's/S&P
Federal Home Loan Bank bond	2/12	318,299	Aaa/AAA	Moody's/S&P

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$822,829 of investments, the City has a custodial credit risk of \$822,829 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated				
Land	\$1,184,094	\$ -	\$ -	\$1,184,094
Capital assets, being depreciated				
Building and improvements	2,616,693	673,700	-	3,290,393
Vehicles and equipment	1,306,231	106,794	-	1,413,025
Infrastructure	559,557	763,926	-	1,323,483
Total capital assets, being depreciated	4,482,481	1,544,420	-	6,026,901
Less accumulated depreciation				
Building and improvements	640,346	100,555	-	740,901
Vehicles and equipment	782,557	90,059	-	872,616
Infrastructure	28,157	37,484	-	65,641
Total accumulated depreciation	1,451,060	228,098	-	1,679,158
Net capital assets, being depreciated	3,031,421	1,316,322	-	4,347,743
Governmental Activities capital assets, net	\$4,215,515	\$1,316,322	\$ -	\$5,531,837

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 96,621	\$ -	\$ -	\$ 96,621
Capital assets, being depreciated				
Mains and infrastructure	9,271,597	306,190	-	9,577,787
Storage tanks	1,268,272	-	-	1,268,272
Meters	107,717	16,157	-	123,874
Equipment	234,173	26,824	-	260,997
Total capital assets, being depreciated	10,881,759	349,171	-	11,230,930
Less accumulated depreciation				
Mains and infrastructure	2,984,201	212,136	-	3,196,337
Storage tanks	295,767	25,065	-	320,832
Meters	78,080	5,499	-	83,579
Equipment	210,147	8,970	-	219,117
Total accumulated depreciation	3,568,195	251,670	-	3,819,865
Net capital assets, being depreciated	7,313,564	97,501	-	7,411,065
Business-type Activities capital assets, net	\$7,410,185	\$ 97,501	\$ -	\$7,507,686
Component Unit				
Downtown Development Authority				
Capital assets, being depreciated				
Buildings	\$1,621,050	\$77,449	\$ -	\$1,698,499
Less accumulated depreciation				
Buildings	368,772	34,587	-	403,359
Downtown Development Authority capital assets, net	\$1,252,278	\$42,862	\$ -	\$1,295,140

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 36,495
Public safety	111,769
Public works	41,057
Culture and recreation	38,777
Total depreciation expense - governmental activities	\$228,098
Business-type Activities	
Sewer	\$125,695
Water	125,975
Total depreciation expense - business-type activities	\$251,670

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2008 are as follows:

	Transfers in			
	General Fund	Capital Improvements	Non-Major Funds	Total
Transfers out:				
General	\$ -	\$446,000	\$ 20,000	\$466,000
Major Streets	-	-	142,484	142,484
Non-major Funds	23,288	-	47,484	70,772
	\$23,288	\$446,000	\$209,968	\$679,256

Transfers are used to contribute budgeted amounts to the capital improvements fund and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The various bargaining and non-bargaining unit employees of the City participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The City is required to contribute at an actuarially determined rate, which for the current year was 5.7% of annual covered payroll. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by City depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2008, the City's annual pension cost of \$229,436 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus from 0 to 8.4% percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 29 years.

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage of APC	Net Pension
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2006	\$ 171,898	100%	\$ -
2007	215,573	100%	-
2008	229,436	100%	-

Schedule of Funding Progress						
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Liability (AAL)	AAL	Ratio	Payroll	Percentage
<u>Date</u>	<u>(a)</u>	<u>Entry Age</u>	<u>(UAAL)</u>	<u>Total</u>	<u>(c)</u>	<u>of Covered</u>
		<u>(b)</u>	<u>(b-a)</u>			<u>Payroll</u>
						<u>((b-a)/c)</u>
12/31/05	\$2,817,466	\$4,139,795	\$1,322,329	68%	\$1,622,177	82%
12/31/06	3,166,104	4,426,142	1,260,038	72%	1,703,391	74%
12/31/07	3,554,387	4,830,006	1,275,619	74%	1,851,878	69%

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2008.

	Balance			Balance	Due
	<u>July 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u>	<u>Within</u>
	<u>2007</u>			<u>2008</u>	<u>One</u>
					<u>Year</u>
Governmental Activities					
1999 Transportation Bonds, payable in annual installments of \$45,000 to \$90,000 through 2015, plus interest at 5.05%	\$ 620,000	\$ -	\$ 65,000	\$ 555,000	\$ 70,000
Fire truck installment note, payable in semi-annual installments of \$15,697 to \$18,692 through 2010, plus interest at 3.19%	108,327	-	35,352	72,975	36,489
2006 Community cabin installment note, payable in semi-annual installments of \$8,575 to \$11,849 through 2016, plus interest at 3.84%	182,326	-	17,315	165,011	17,987
2006 Peppler Park installment note. Payable in annual installments of \$80,000 through 2011, plus interest at 4.0%-4.5%	320,000	-	80,000	240,000	80,000
2008 Police Vehicle installment lease agreement. Payable in annual installments of \$32,073 through 2010 including interest at 6.1%	-	90,794	32,073	58,721	28,492
Total bonds/notes	1,230,653	90,794	229,740	1,091,707	232,968
Accrued employee benefits	154,616	5,582	-	160,198	-
Total Governmental Activities	\$1,385,269	\$96,376	\$229,740	\$1,251,905	\$232,968

CITY OF ROCKFORD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Business-type Activities					
1990 Water Supply System Revenue Bonds, payable in annual installments of \$50,000 to \$60,000 through 2009, plus interest at 6.0% to 9.96%	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
1997 Water Supply System Revenue Bonds, payable in annual installments of \$35,000 to \$75,000 through 2013, plus interest at 5.25%- 7.0%	450,000	-	75,000	375,000	75,000
1999 Drinking Water Revolving Fund Loan, payable in annual installments of \$110,000 to \$150,000 through 2019, plus interest at 2.5%	1,600,000	-	115,000	1,485,000	120,000
Local Government Loan Program Revenue Refunding Bonds Series 2002B, payable in annual installments of \$115,000 to \$185,000 through 2013, plus interest at 2.0% to 3.625%	1,005,000	-	150,000	855,000	155,000
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	485,000	-	20,000	465,000	20,000
Total bonds	3,660,000	-	420,000	3,240,000	430,000
Unamortized discounts	(14,804)	-	(2,225)	(12,579)	-
Total bonds net of unamortized discount	3,645,196	-	417,775	3,227,421	430,000
Accrued employee benefits	77,274	2,397	-	79,671	-
Total Business-type Activities	\$3,722,470	\$ 2,397	\$417,775	\$3,307,092	\$430,000
Component Unit					
Downtown Development Authority					
1997 Limited Tax Development Bonds, payable in annual installments of \$60,000 to \$95,000 through 2013, plus interest at 5%- 5.25%	\$ 495,000	\$ -	\$70,000	\$425,000	\$75,000

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2008 are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 232,968	\$ 48,606	\$ 430,000	\$ 107,185	\$ 75,000	\$ 22,312
2010	235,399	38,023	380,000	91,235	80,000	18,375
2011	174,409	27,407	395,000	78,098	85,000	14,175
2012	100,161	19,141	410,000	64,363	90,000	9,712
2013	105,943	14,193	415,000	50,056	95,000	4,988
2014-2018	242,827	13,594	845,000	130,682	-	-
2019-2023	-	-	325,000	30,368	-	-
2024	-	-	40,000	808	-	-
Total	\$1,091,707	\$160,964	\$3,240,000	\$ 552,795	\$425,000	\$ 69,562

8. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all City employees and allows them to defer a portion of their salary until future years. The deferred compensation is generally not available to employees until termination, retirement, or death. All assets of the Plan are held in trust for employees and the related assets and liabilities are not included in this report.

9. COMMITMENT/SUBSEQUENT EVENTS

The City entered into a purchase agreement on June 10, 2008 to purchase a building in the City. The purchase was completed on July 25, 2008 and was financed by the issuance of act 99 installment purchase notes in the amount of \$875,000.

Subsequent to June 30, 2008, the City also issued General Obligation Limited Tax Capital Improvement Bonds dated July 8, 2008 in the amount of \$815,000.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF ROCKFORD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	<u>Local Streets</u>	<u>Budget Stabilization</u>	<u>Library</u>	<u>Cemetery</u>
Assets				
Cash and pooled investments	\$ 43,465	\$ 114,788	\$ 54,755	\$ 295,486
Accrued interest receivable	1,771	4,943	2,227	12,726
Due from other governments	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 58,236</u>	<u>\$ 119,731</u>	<u>\$ 56,982</u>	<u>\$ 308,212</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 12,292	\$ -	\$ -	\$ -
Accrued liabilities	<u>735</u>	<u>-</u>	<u>235</u>	<u>-</u>
Total liabilities	<u>13,027</u>	<u>-</u>	<u>235</u>	<u>-</u>
Fund balances				
Reserved				
Permanent fund corpus	-	-	-	-
Unreserved				
Undesignated	<u>45,209</u>	<u>119,731</u>	<u>56,747</u>	<u>308,212</u>
Total fund balances	<u>45,209</u>	<u>119,731</u>	<u>56,747</u>	<u>308,212</u>
Total liabilities and fund balances	<u>\$ 58,236</u>	<u>\$ 119,731</u>	<u>\$ 56,982</u>	<u>\$ 308,212</u>

	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
	<u>Debt Service</u>	<u>Library Improvement</u>	<u>Library Endowment</u>	
\$	-	\$ 31,764	\$ 153,601	\$ 693,859
	-	1,295	6,260	29,222
	-	-	-	13,000
<u>\$</u>	<u>-</u>	<u>\$ 33,059</u>	<u>\$ 159,861</u>	<u>\$ 736,081</u>
\$	-	\$ -	\$ -	\$ 12,292
	-	-	-	970
	-	-	-	13,262
	-	-	153,560	153,560
	-	33,059	6,301	569,259
	-	33,059	159,861	722,819
<u>\$</u>	<u>-</u>	<u>\$ 33,059</u>	<u>\$ 159,861</u>	<u>\$ 736,081</u>

CITY OF ROCKFORD

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Local Streets</u>	<u>Budget Stabilization</u>	<u>Library</u>	<u>Cemetery</u>
Revenues				
Intergovernmental revenues				
State	\$ 80,729	\$ -	\$ -	\$ -
Local	-	-	6,416	-
Interest and rentals	(307)	6,504	3,070	16,784
Miscellaneous	-	-	1,917	15,972
Total revenues	<u>80,422</u>	<u>6,504</u>	<u>11,403</u>	<u>32,756</u>
Expenditures				
Current				
Public works	169,720	-	-	-
Culture and recreation	-	-	37,710	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>169,720</u>	<u>-</u>	<u>37,710</u>	<u>-</u>
Revenues over (under) expenditures	<u>(89,298)</u>	<u>6,504</u>	<u>(26,307)</u>	<u>32,756</u>
Other financing sources (uses)				
Transfers in	95,000	-	20,000	-
Transfers out	(47,484)	(6,504)	-	(16,784)
Total other financing sources (uses)	<u>47,516</u>	<u>(6,504)</u>	<u>20,000</u>	<u>(16,784)</u>
Net changes in fund balances	<u>(41,782)</u>	<u>-</u>	<u>(6,307)</u>	<u>15,972</u>
Fund balances, beginning of year	<u>86,991</u>	<u>119,731</u>	<u>63,054</u>	<u>292,240</u>
Fund balances, end of year	<u>\$ 45,209</u>	<u>\$ 119,731</u>	<u>\$ 56,747</u>	<u>\$ 308,212</u>

	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
	<u>Debt Service</u>	<u>Library Improvement</u>	<u>Library Endowment</u>	
\$ -	\$ -	\$ -	\$ -	\$ 80,729
-	-	-	-	6,416
-	1,704	8,331		36,086
-	-	5,390		23,279
-	1,704	13,721		146,510
-	-	-	-	169,720
-	805	5,928		44,443
65,000	-	-	-	65,000
29,968	-	-	-	29,968
94,968	805	5,928		309,131
(94,968)	899	7,793		(162,621)
94,968	-	-	-	209,968
-	-	-	-	(70,772)
94,968	-	-	-	139,196
-	899	7,793		(23,425)
-	32,160	152,068		746,244
\$ -	\$ 33,059	\$ 159,861	\$	\$ 722,819

CITY OF ROCKFORD

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 70,000	\$ 70,000	\$ 80,729	\$ 10,729
Interest and rentals	1,500	1,500	(307)	(1,807)
Total revenues	<u>71,500</u>	<u>71,500</u>	<u>80,422</u>	<u>8,922</u>
Expenditures				
Public works				
Construction	50,000	60,000	55,899	4,101
Routine Maintenance	58,475	58,475	66,705	(8,230)
Traffic Control	5,530	5,530	4,856	674
Winter Maintenance	21,410	31,410	30,962	448
Administration	13,145	13,145	11,298	1,847
Total expenditures	<u>148,560</u>	<u>168,560</u>	<u>169,720</u>	<u>(1,160)</u>
Revenues over (under) expenditures	<u>(77,060)</u>	<u>(97,060)</u>	<u>(89,298)</u>	<u>7,762</u>
Other financing sources (uses)				
Transfers in	95,000	95,000	95,000	-
Transfers out	(47,750)	(47,750)	(47,484)	266
Total other financing sources (uses)	<u>47,250</u>	<u>47,250</u>	<u>47,516</u>	<u>266</u>
Net changes in fund balance	(29,810)	(49,810)	(41,782)	8,028
Fund balance, beginning of year	<u>86,991</u>	<u>86,991</u>	<u>86,991</u>	<u>-</u>
Fund balance, end of year	<u>\$ 57,181</u>	<u>\$ 37,181</u>	<u>\$ 45,209</u>	<u>\$ 8,028</u>

CITY OF ROCKFORD

BUDGET STABILIZATION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 3,000	\$ 3,000	\$ 6,504	\$ 3,504
Other financing sources (uses)				
Transfers out	<u>(3,000)</u>	<u>(4,000)</u>	<u>(6,504)</u>	<u>(2,504)</u>
Net changes in fund balance	-	(1,000)	-	1,000
Fund balance, beginning of year	<u>119,731</u>	<u>119,731</u>	<u>119,731</u>	<u>-</u>
Fund balance, end of year	<u>\$ 119,731</u>	<u>\$ 118,731</u>	<u>\$ 119,731</u>	<u>\$ 1,000</u>

CITY OF ROCKFORD

LIBRARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Kent District Library	\$ 8,555	\$ 8,555	\$ 6,416	\$ (2,139)
Interest and rentals	2,000	2,000	3,070	1,070
Miscellaneous	<u>500</u>	<u>500</u>	<u>1,917</u>	<u>1,417</u>
Total revenues	11,055	11,055	11,403	348
Expenditures				
Culture and recreation	<u>31,055</u>	<u>36,055</u>	<u>37,710</u>	<u>(1,655)</u>
Revenues over (under) expenditures	(20,000)	(25,000)	(26,307)	(1,307)
Other financing sources (uses)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net changes in fund balance	-	(5,000)	(6,307)	(1,307)
Fund balance, beginning of year	<u>63,054</u>	<u>63,054</u>	<u>63,054</u>	<u>-</u>
Fund balance, end of year	<u>\$ 63,054</u>	<u>\$ 58,054</u>	<u>\$ 56,747</u>	<u>\$ (1,307)</u>

CITY OF ROCKFORD

CEMETERY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Interest and rentals	\$ 8,000	\$ 8,000	\$ 16,784	\$ 8,784
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>15,972</u>	<u>(4,028)</u>
Total revenues	28,000	28,000	32,756	4,756
Other financing sources (uses)				
Transfers out	<u>(8,000)</u>	<u>(11,000)</u>	<u>(16,784)</u>	<u>(5,784)</u>
Net changes in fund balance	20,000	17,000	15,972	(1,028)
Fund balance, beginning of year	<u>292,240</u>	<u>292,240</u>	<u>292,240</u>	<u>-</u>
Fund balance, end of year	<u>\$ 312,240</u>	<u>\$ 309,240</u>	<u>\$ 308,212</u>	<u>\$ (1,028)</u>

CITY OF ROCKFORD
FIDUCIARY FUNDS
COMBINING BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2008

	Agency Funds			Total
	<u>Arts Commission</u>	<u>Trust and Agency</u>	<u>Imprest Payroll</u>	
Assets				
Cash and pooled investments	\$ 70,168	\$ 18,959	\$ 35,931	\$ 125,058
Interest receivable	<u>2,860</u>	<u>1,369</u>	<u>1,580</u>	<u>5,809</u>
Total assets	<u>\$ 73,028</u>	<u>\$ 20,328</u>	<u>\$ 37,511</u>	<u>\$ 130,867</u>
Liabilities				
Payroll taxes and withholdings	\$ -	\$ -	\$ 37,511	\$ 37,511
Due to other governmental units	-	20,328	-	20,328
Due to other entities	<u>73,028</u>	<u>-</u>	<u>-</u>	<u>73,028</u>
Total liabilities	<u>\$ 73,028</u>	<u>\$ 20,328</u>	<u>\$ 37,511</u>	<u>\$ 130,867</u>

CITY OF ROCKFORD

DOWNTOWN DEVELOPMENT AUTHORITY COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
Assets					
Cash and pooled investments	\$ 15,373	\$ -	\$ 15,373	\$ -	\$ 15,373
Accounts receivable	745	-	745	-	745
Accrued interest receivable	627	-	627	-	627
Capital assets, net	-	-	-	1,295,140	1,295,140
Total assets	\$ 16,745	\$ -	\$ 16,745	1,295,140	1,311,885
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 3,856	\$ -	\$ 3,856	-	3,856
Accrued liabilities	-	-	-	9,144	9,144
Noncurrent liabilities					
Due within one year	-	-	-	75,000	75,000
Due in more than one year	-	-	-	350,000	350,000
Total liabilities	3,856	-	3,856	434,144	438,000
Fund balances					
Unreserved					
Undesignated	12,889	-	12,889		
Total liabilities and fund balances	\$ 16,745	\$ -	\$ 16,745		
Net assets					
Unrestricted					\$ 873,885

CITY OF ROCKFORD

DOWNTOWN DEVELOPMENT AUTHORITY COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
Revenues					
Taxes	\$ 197,629	\$ -	\$ 197,629	\$ -	\$ 197,629
Interest	3,939	-	3,939	-	3,939
	<u>201,568</u>	<u>-</u>	<u>201,568</u>	<u>-</u>	<u>201,568</u>
Expenditures					
Current					
General government	25,505	-	25,505	38,924	64,429
Debt Service					
Principal	-	70,000	70,000	(70,000)	-
Interest	-	26,288	26,288	(1,507)	24,781
Capital outlay	81,786	-	81,786	(81,786)	-
	<u>107,291</u>	<u>96,288</u>	<u>203,579</u>	<u>(114,369)</u>	<u>89,210</u>
Total expenditures	<u>107,291</u>	<u>96,288</u>	<u>203,579</u>	<u>(114,369)</u>	<u>89,210</u>
Revenues over (under) expenditures	<u>94,277</u>	<u>(96,288)</u>	<u>(2,011)</u>	<u>(114,369)</u>	<u>112,358</u>
Other financing sources (uses)					
Transfers in	-	96,288	96,288	-	96,288
Transfers out	(96,288)	-	(96,288)	-	(96,288)
	<u>(96,288)</u>	<u>96,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(96,288)</u>	<u>96,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(2,011)	-	(2,011)	2,011	
Change in net assets				(112,358)	112,358
Fund balances/net assets, beginning of year	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>-</u>	<u>761,527</u>
Fund balances/net assets, end of year	<u>\$ 12,889</u>	<u>\$ -</u>	<u>\$ 12,889</u>	<u>\$ -</u>	<u>\$ 873,885</u>

Continuing Disclosure Filing

City of Rockford
County of Kent
State of Michigan

Fiscal Year Ended
June 30, 2008

LIST OF CURRENT
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's Securities Evaluations, Inc.
55 Water Street – 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market)
Fax: (212) 771-7391 (Primary Market)
E-mail: Nrmsir@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
Phone: 313-963-0420
Fax: 313-963-0943
E-mail: mac@macmi.com; garr@macmi.com

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of Rockford, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- ☐ Nine-digit number(s) to which the information relates:
☒ Information relates to **all securities** issued by the issuer having the following six-digit number(s): 773301, 660294

* * *

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One).

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-Payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to rights of securities holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes
12. ☐ Failure to provide annual financial information as required
13. ☐ Other material event notice (specify)
14. ☒ Financial information*: Please check all appropriate boxes:

☐ CAFR: (a) ☐ includes ☐ does not include Annual Financial Information

(b) Audited? Yes ☐ No ☐

☒ Annual Financial Information: Audited? Yes ☒ No ☐

☒ Operating Data

Fiscal Period Covered: Fiscal Year Ended June 30, 2008

*Financial information **should not** be filed with the MSRB

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: Jeff Dood Title: Finance Director

Employer: City of Rockford

Address: 7 South Monroe, P.O. Box 561

City, State, Zip Code: Rockford, Michigan 49341

Voice Telephone Number: (616) 866-1537

Population

1970 Census	2,428
1980 Census	3,324
1990 Census	3,750
2000 Census	4,626
2005 Census	5,189*

*Estimated.

Source: U.S. Department of Commerce-Bureau of Census and the City of Rockford.

City of Rockford Total Taxable Value Fiscal Years Ended or Ending June 30, 2005 Through 2009

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2003	2004	2005	\$177,999,909	\$8,975,095	\$186,975,004	4.97%
2004	2005	2006	192,770,253	8,734,017	201,504,270	7.78
2005	2006	2007	204,629,065	8,792,073	213,421,138	5.91
2006	2007	2008	213,270,336	9,261,030	222,531,366	4.27
2007	2008	2009	216,057,344	8,894,922	224,952,266	1.10

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2009 (2) \$43,351.76

(1) At the full tax rate.

(2) Based on the City's estimated 2005 census population of 5,189.

Source: City of Rockford

City of Rockford Total Taxable Value by Use and Class Fiscal Years Ended or Ending June 30, 2005 Through 2009

	Fiscal Year Ended or Ending June 30				
Use	2005	2006	2007	2008	2009
Agriculture.....	\$ 95,537	\$ 95,537	\$ 0	\$ 0	\$ 0
Commercial	41,868,503	40,952,383	43,494,244	45,445,679	46,513,996
Industrial.....	38,312,795	41,249,998	41,563,236	41,927,274	42,415,185
Residential.....	103,940,259	116,376,071	126,534,858	133,260,313	134,078,585
Utility.....	2,757,910	2,830,281	1,828,800	1,898,100	1,944,500
	<u>\$ 186,975,004</u>	<u>\$ 201,504,270</u>	<u>\$ 213,421,138</u>	<u>\$ 222,531,366</u>	<u>\$ 224,952,266</u>
Class	2005	2006	2007	2008	2009
Real Property.....	\$ 158,548,344	\$ 171,042,795	\$ 184,569,812	\$ 193,571,016	\$ 196,547,726
Personal Property	28,426,660	30,461,475	28,851,326	28,960,530	28,404,500
	<u>\$ 186,975,004</u>	<u>\$ 201,504,270</u>	<u>\$ 213,421,138</u>	<u>\$ 222,531,366</u>	<u>\$ 224,952,266</u>

Source: City of Rockford

City of Rockford
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2005 Through 2009

	Fiscal Year Ended or Ending June 30				
<u>Use</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agriculture.....	0.05%	0.05%	0.00%	0.00%	0.00%
Commercial	22.39	20.32	20.38	20.42	20.68
Industrial.....	20.49	20.47	19.47	18.84	18.86
Residential.....	55.59	57.75	59.29	59.89	59.60
Utility.....	1.48	1.41	0.86	0.85	0.86
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real Property.....	84.80%	84.88%	86.48%	86.99%	87.37%
Personal Property	15.20	15.12	13.52	13.01	12.63
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Rockford

City of Rockford
Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2005 Through 2009

<u>Assessed</u> <u>Value as of</u> <u>December 31</u>	<u>Year of State</u> <u>Equalization</u> <u>and Tax Levy</u>	<u>City's Fiscal</u> <u>Years Ended</u> <u>or Ending</u> <u>June 30</u>	<u>Ad</u> <u>Valorem</u> <u>SEV</u>	<u>SEV of</u> <u>Property</u> <u>Granted Tax</u> <u>Abatement</u> <u>Under Acts 198</u>	<u>Total</u> <u>SEV</u>	<u>Percent</u> <u>Increase</u> <u>Over</u> <u>Prior Year</u>
2003	2004	2005	\$197,713,200	\$18,748,400	\$216,461,600	5.40%
2004	2005	2006	216,397,100	18,215,700	234,612,800	8.39
2005	2006	2007	225,588,700	17,894,200	243,482,900	3.78
2006	2007	2008	234,733,200	18,819,200	253,552,300	4.14
2007	2008	2009	234,411,300	17,976,700	252,388,000	(0.46)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2009 (1)\$48,639.04

(1) Based on the City's estimated 2005 census population of 5,189.

Source: City of Rockford

City of Rockford
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2005 Through 2009

	Fiscal Year Ended or Ending June 30				
<u>Use</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agriculture	\$ 98,600	\$ 98,600	\$ 0	\$ 0	\$ 0
Commercial	45,156,700	45,277,800	47,307,700	49,922,700	51,053,400
Industrial	52,160,600	54,899,600	54,262,700	54,741,500	54,547,400
Residential.....	116,147,500	131,414,100	140,083,700	146,990,100	144,842,700
Utility	2,898,200	2,922,700	1,828,800	1,898,100	1,944,500
	<u>\$ 216,461,600</u>	<u>\$ 234,612,800</u>	<u>\$ 243,482,900</u>	<u>\$ 253,552,400</u>	<u>\$ 252,388,000</u>

<u>Class</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real Property	\$ 185,053,300	\$ 201,599,000	\$ 212,364,200	\$ 222,098,600	\$ 221,530,200
Personal Property	31,408,300	33,013,800	31,118,700	31,453,800	30,857,800
	<u>\$ 216,461,600</u>	<u>\$ 234,612,800</u>	<u>\$ 243,482,900</u>	<u>\$ 253,552,400</u>	<u>\$ 252,388,000</u>

Source: City of Rockford

City of Rockford
Percent of Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2005 Through 2009

	Fiscal Year Ended or Ending June 30				
<u>Use</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agriculture	0.05%	0.04%	0.00%	0.00%	0.00%
Commercial	20.86	19.30	19.43	19.69	20.23
Industrial	24.10	24.40	22.29	21.59	21.61
Residential.....	53.66	56.01	57.53	57.97	57.39
Utility	1.33	1.25	0.75	0.75	0.77
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>Class</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real Property.....	85.49%	85.93%	87.22%	87.59%	87.77%
Personal Property	14.51	14.07	12.78	12.41	12.23
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Rockford

City of Rockford
Maximum Property Tax Rates
Fiscal Year Ended June 30, 2008

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating.....	16.0000	0.8769	14.0311

(1) Cumulative.

Source: City of Rockford

City of Rockford
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2005 Through 2009

Levy	Fiscal Year Ended or Ending	
<u>July 1</u>	<u>June 30</u>	<u>Operating</u>
2004	2005	\$10.9000
2005	2006	10.9000
2006	2007	10.9000
2007	2008	10.9000
2008	2009	10.9000

Source: City of Rockford

City of Rockford
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2004 Through 2008

	Fiscal Year Ended or Ending June 30				
<u>Governmental Unit</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City of Rockford	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County	5.3140	5.3140	5.3139	5.3537	5.3940
Kent County Intermediate Schools.....	3.7903	4.5333	4.6453	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools.....	8.5000	9.5000	9.4950	9.4949	9.4817
Kent County District Library.....	0.8710	0.8800	0.8800	0.8800	0.8800
State Education Levy	<u>5.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total	<u>\$36.1618</u>	<u>\$38.9138</u>	<u>\$39.0207</u>	<u>\$39.1054</u>	<u>\$39.1325</u>

City of Rockford
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2004 Through 2008

	Fiscal Year Ended or Ending June 30				
<u>Governmental Unit</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City of Rockford	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County	5.3140	5.3140	5.3139	5.3537	5.3940
Kent County Intermediate Schools.....	3.7903	4.5333	4.6453	4.6903	4.6903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools.....	26.5000	27.5000	27.4950	27.4949	27.4817
Kent County District Library.....	0.8710	0.8800	0.8800	0.8800	0.8800
State Education Levy	<u>5.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total	<u>\$54.1618</u>	<u>\$56.9138</u>	<u>\$57.0207</u>	<u>\$57.1054</u>	<u>\$57.1325</u>

- (1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal Residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal Residence includes a life care facility registered under the Living Care Disclosure Act, Act 440 of the Public Acts of Michigan of 1976. Principal Residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-Principal Residence* is property not included in the above definition.

Source: City of Rockford

City of Rockford
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2005 Through 2009

July 1 Levy	Fiscal Year Ended or Ending June 30	Tax Levy(1)	Collections to March 1 Following Levy	Percent Collected
2004	2005	\$1,926,000	\$1,925,341	99.96%
2005	2006	2,080,000	2,053,232	98.71
2006	2007	2,230,000	2,166,764	97.16
2007	2008	2,300,000	2,229,041	96.91
2008	2009	2,340,000	(Not yet collected)	

(1) City taxes only. Does not include taxes on properties granted tax abatement under Act 198.

Source: City of Rockford

City of Rockford
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2009

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>Percent of Total (2)</u>
Wolverine World Wide, Inc.	Industrial Mfg - Shoes	\$19,033,451	8.46%
Jade Pig.....	Shopping Center.....	3,869,900	1.72
ITW/Dahti Seating.....	Industrial Mfg - Furniture.....	3,811,421	1.69
MVP Athletic Club	Health Club, Medical Office and Retail	3,147,200	1.40
Byrne Electrical Spec	Industrial Mfg - Wire Harness.....	2,768,631	1.23
Kalfact Plastics	Industrial Mfg - Injection Molding.....	2,539,850	1.13
Promenade of Rockford LLC.....	Downtown Commercial Development	2,367,100	1.05
Koetje Investors.....	Apartments	2,152,300	0.96
Redstone Group	New Home Development	1,887,671	0.84
NHSE Lock Haven LLC.....	Industrial Mfg - Real Property	<u>1,233,950</u>	<u>0.55</u>
		<u>\$42,811,474</u>	<u>19.03%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

(2) Based on \$224,952,266 which is the City's Total Taxable Value for its fiscal year ending June 30, 2009. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: City of Rockford

City of Rockford
Revenues From the State of Michigan
Fiscal Years Ended or Ending June 30, 2004 Through 2008

	Fiscal Year Ended or Ending June 30				
	2004	2005	2006	2007	2008 (1)
Total Revenues.....	\$ <u>418,777</u>	\$ <u>411,542</u>	\$ <u>407,349</u>	\$ <u>430,042</u>	\$ <u>395,000</u>

(1) Estimated.

Source: City of Rockford

Legal Debt Margin

Pursuant to statutory and constitutional debt provisions, the following table reflects the amount of additional debt the City may legally incur as of June 2, 2008.

Debt Limit (1)	\$25,238,800
Debt Outstanding.....	\$17,694,001
Less: Exempt Debt.....	<u>15,511,015</u>
Legal Debt Margin.....	<u>\$23,055,814</u>

(1) 10% of \$252,388,000 which is the City's Total SEV for the fiscal year ending June 30, 2009. Includes the SEV of property granted tax abatement under Act 198.

Source: Municipal Advisory Council of Michigan and the City of Rockford

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 2, 2008. Direct debt which is shown as self-supporting is paid from sources other than the City's General Fund.

The City's ability to levy a tax to pay the debt service on the bonds which are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations.

City Direct Debt	Gross	Self-Supporting	Net
Share of North Kent Sewer Authority Bonds:			
Dated January 30, 2007 (Limited Tax) (7)	\$ 1,199,730	\$ 1,199,730	\$ -0-
Dated November 21, 2006 (Limited Tax) (1)...	8,038,800	8,038,800	-0-
Dated December 22, 2005 (Limited Tax) (2) ...	1,218,000	1,218,000	-0-
Dated May 2, 2002 (Limited Tax) (3)	64,960	64,960	-0-
Dated September 12, 2001 (Limited Tax) (4)...	1,031,240	1,031,240	-0-
Dated April 1, 2000 (Limited Tax) (5)	58,870	58,870	-0-
Dated June 1, 1998 (Limited Tax) (6)	<u>569,415</u>	<u>569,415</u>	<u>-0-</u>
Subtotal.....	<u>\$ 12,181,015</u>	<u>\$ 12,181,015</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated July 8, 2008 (Limited Tax).....	\$ 815,000	\$ 815,000	\$ -0-
Dated April 1, 2003 (Limited Tax).....	<u>465,000</u>	<u>-0-</u>	<u>465,000</u>
Subtotal.....	<u>\$ 1,280,000</u>	<u>\$ 815,000</u>	<u>\$ 465,000</u>
Downtown Development Authority Bonds:			
Dated November 1, 1997 (Limited Tax)	\$ 425,000	\$ 425,000	\$ -0-
Subtotal.....	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ -0-</u>
Michigan Transportation Fund:			
Dated August 1, 1999 (Limited Tax).....	\$ 555,000	\$ 555,000	\$ -0-
Subtotal.....	<u>\$ 555,000</u>	<u>\$ 555,000</u>	<u>\$ -0-</u>
Water Revenue Bonds:			
Dated September 29, 1998 (Limited Tax)	\$ 1,485,000	\$ 1,485,000	\$ -0-
Dated December 1, 1997	375,000	375,000	-0-
Dated May 1, 1990	<u>60,000</u>	<u>60,000</u>	<u>-0-</u>
Subtotal.....	<u>\$ 1,920,000</u>	<u>\$ 1,920,000</u>	<u>\$ -0-</u>
Sewer Revenue Bonds:			
Dated November 1, 2002 (Limited Tax)	\$ 855,000	\$ 855,000	\$ -0-
Subtotal.....	<u>\$ 855,000</u>	<u>\$ 855,000</u>	<u>\$ -0-</u>

Installment Purchase Obligations:

Dated July 18, 2006	\$ 240,000	\$ -0-	\$ 240,000
Dated April 19, 2006	165,011	-0-	165,011
Dated November 1, 2002	<u>72,975</u>	<u>-0-</u>	<u>72,975</u>
Subtotal	<u>\$ 477,986</u>	<u>\$ -0-</u>	<u>\$ 477,986</u>
Total	<u>\$ 17,694,001</u>	<u>\$ 16,751,015</u>	<u>\$ 942,986</u>

Per Capita Net City Direct Debt (8)	\$181.73
Percent of Net Direct Debt to Total SEV (9)	0.37%

<u>Overlapping Debt (10)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 159,759,300	1.00%	\$ 1,597,593
Grand Rapids Community College	47,445,000	0.97	460,217
Rockford School District	<u>88,005,000</u>	14.06	<u>12,311,900</u>
Totals	<u>\$ 295,209,300</u>		<u>\$14,369,710</u>

Per Capita Net Overlapping Debt (8)	\$2,769.26
Percent of Net Overlapping Debt to Total SEV (9)	5.69%

Per Capita Net Direct and Overlapping Debt (8)	\$2,950.99
Percent of Net Direct and Overlapping Debt to Total SEV (9)	6.06%

- (1) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated November 21, 2006.
(2) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated December 22, 2005.
(3) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated May 2, 2002.
(4) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated September 12, 2001.
(5) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated April 12, 2000.
(6) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated June 1, 1998.
(7) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated January 30, 2007.
(8) Based on the City's estimated 2005 census population of 5,189.
(9) Based on \$252,388,000 which is the City's Total SEV for the fiscal year ending June 30, 2009. Includes the SEV of property granted tax abatement under Act 198.
(10) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: Municipal Advisory Council of Michigan and the City of Rockford

LABOR CONTRACTS

Approximately 66% of the City's 32 full-time employees are represented by labor organizations. The following table illustrates the labor organizations which represent the City employees, the number of members and the expiration date of the present contracts.

	<u>Membership</u>	<u>Contract Expiration Date</u>
Service Employees International Union	7	June 30, 2009
Rockford Police Officers Association	14	June 30, 2009
Non-Union Employees	<u>11</u>	Not Applicable
Total City Employees	<u>32</u>	

Source: City of Rockford.